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Report of the Secretary-General on his mission of good offices in Cyprus

I. Introduction

1. The present report on my mission of good offices in Cyprus covers developments from 15 May 2015 to 11 August 2017. It focuses on the activities carried out by my good offices mission under the leadership of my Special Adviser, Espen Barth Eide, regarding the leader-led negotiations between the Greek Cypriot and Turkish Cypriot sides. The Security Council, in its resolution 2369 (2017), its most recent on the subject, noted the outcome of the Conference on Cyprus and encouraged the sides and all participants involved to sustain their commitment to a settlement under United Nations auspices. Echoing the Secretary-General's firm belief that the responsibility for finding a solution lies first and foremost with the Cypriots themselves, the Security Council also expressed its full support for the Secretary-General in continuing to keep his good offices at the disposal of the parties.

II. Background

2. The negotiations between the Greek Cypriot leader, Nicos Anastasiades, and the Turkish Cypriot leader, Mustafa Akıncı, to reach a comprehensive settlement started more than two years ago, on 15 May 2015. Throughout a period of intense and results-oriented talks, the sides were guided by relevant Security Council resolutions, as well as the Joint Declaration of 11 February 2014. The recent efforts to find a mutually acceptable settlement have built on the body of work accumulated since the beginning of the fully fledged negotiations in September 2008. In particular, the process continued to follow the original design of the then Greek Cypriot and Turkish Cypriot leaders, Dimitris Christofias and Mehmet Ali Talat, respectively, which had also been in place during the period of negotiations between Mr. Christofias and Turkish Cypriot leader at the time, Derviş Eroğlu.

3. As agreed in 2008, the negotiations were organized into six chapters, namely governance and power-sharing, economy, European Union matters, property, territory, and security and guarantees. On 15 May 2015, Mr. Akıncı and Mr. Anastasiades also agreed that the negotiations would be leader-led and would focus in a structured and results-oriented manner on core issues across chapters, as set out in the Joint Declaration. In the conduct of the negotiations, the leaders were supported by their respective negotiators and negotiating teams, as well as by various experts, who were organized into several working groups, as described below.

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III. Status of the process: substantive chapters

4. From 15 May 2015, the sides engaged in intensive, ongoing negotiations. That sustained process experienced short interruptions only on a few occasions, often due to political events and developments that took place outside the talks. The time and effort invested and documentation produced over the more-than-two-year-long process were extensive. The leaders personally engaged in 70 meetings on the island, while their negotiators held more than 150 meetings. The contacts, exchanges and meetings between the various experts in the working groups were no less frequent or substantive: 369 meetings were held at the level of the experts. More than 565 joint papers were exchanged between the sides, recording the progress and convergences achieved over the course of the process. Such intensive and focused engagement at all levels generated unprecedented substantive progress in all the chapters and enabled the convening of the Conference on Cyprus on 12 January 2017 in Geneva.

5. Throughout the negotiations, both sides maintained their agreement that the principles on which the European Union was founded would be respected throughout the island. This allowed them to find solutions to and convergences on a myriad of issues in various negotiating chapters, underscoring the fundamental European character of the settlement that the two leaders were aiming to achieve. For instance, the provision that the rights of all citizens would be respected, regardless of where they resided on the island, was agreed. While safeguarding the bicommunal and bizonal parameters of a settlement, the sides drew on European jurisprudence to remedy the past, as well as on European norms and principles to build a united future. As a result, most issues under the chapter related to European Union matters were largely resolved. The only outstanding issues were related to permanent derogations and primary law, as well as how to determine the joint positions of a future united Cyprus in European Union bodies; the set-up of the Joint Committee on European Union Affairs, and questions regarding infringement and other internal procedures.

6. The sides converged on many topics in the chapter on governance and power-sharing. By January 2017, the contours of a bizonal, bicommunal federation with political equality were well known and had been largely agreed. The views on functions, composition and decision-making procedures, such as the deadlock-resolving mechanisms of the main branches of the federal government, including the federal legislature and federal judiciary, as well as independent officers and the federal public service, had already converged.

7. Federal competencies, cooperation and coordination between the federal government and the constituent states and issues related to citizenship, in particular who would be considered a citizen of the future united Cyprus at the start of the settlement and the criteria for acquiring citizenship in the future were also largely agreed. Importantly, views on the criteria for granting internal citizenship, as defined in the Joint Declaration of 11 February 2014, also converged. The important and often sensitive issue of citizenship, with its links to other key aspects, including the exercise of civil and political rights in the future united Cyprus, was almost completely concluded, with only certain details left to be agreed.

8. The economy chapter was perhaps the closest to being fully completed, and in general the economic issues were among the least contentious aspects of the negotiations. The sides agreed on many of the core principles, policies and institutions to guide the economy of a post-settlement Cyprus, including fiscal federalism, growth-promoting structural reforms, economic convergence between the two communities, the ministries, the central bank, other regulatory bodies,

revenue allocation, taxation, public debt, guarantees and state aid, and monetary policy. In particular, the negotiating teams and their experts worked carefully to balance the principles of fiscal federalism with simplified and effective decision-making. Notably, given recent economic and financial turmoil on the island, the sides negotiated a cooperation agreement that imposed fiscal discipline on the federal government, the constituent states and their subsidiary bodies. The remaining outstanding issues in the economy chapter were mostly related to governance or to implementation and transition.

9. Throughout the process, the sides also worked extensively on the chapter on property. The first key agreement in the chapter was achieved by the leaders on 27 July 2015, when they announced that the individual's right to property would be respected and that there would be alternatives for the regulation of the exercise of that right. The leaders also agreed that dispossessed owners and current users would have various choices regarding their claims to affected properties, including compensation, exchange and reinstatement, and that those would be subject to agreed criteria. Thereafter, progress continued on property, including both on the necessary judicial ad hoc mechanisms, such as the property commission and the property court, and on principles, including the prescription of just satisfaction and the proscription of unjust enrichment, albeit at a slower pace in the last months of negotiations.

10. The chapter on territory is an example of how the sides went further in ownership and leadership in the latest round of negotiations than ever before. It had been the long-held agreement that the chapter would remain the last internal one to be negotiated, with maps and figures to be discussed only at the very end of the negotiation process. Recognizing the progress made since the start of their negotiations, the two leaders decided in October 2016 to hold intensive talks in Mont Pèlerin, Switzerland, formally opening negotiations on the chapter on territory during two rounds in November 2016.

11. During the first round, the leaders secured a significant breakthrough, agreeing on a range for the percentages of land of the constituent states that would result from the territorial adjustment. During the second round, the sides failed to achieve further progress on territory and, therefore, to present their respective maps, returning to the island with a perception that the process risked facing a serious stalemate. The climate surrounding the talks deteriorated rapidly, demonstrating how a small setback in the process could quickly lead to a downward spiral. However, on 1 December 2016, in their first encounter since the end of the second round of Mont Pèlerin meetings, Mr. Anastasiades and Mr. Akıncı recognized the importance of resuming the talks. They announced that they would meet in Geneva from 9 to 11 January 2017 and that, from 12 January, the Conference on Cyprus would be convened with the added participation of the guarantor Powers; other relevant parties would be invited as needed.

12. The meetings held between 9 and 12 January were a watershed moment in the process. For the first time in the history of the negotiations, the two leaders presented each other with their preferred maps of the internal administrative boundary. The maps were verified by expert cartographers from each side and from the United Nations and were then taken to a vault at the United Nations Office at Geneva. The presentation of maps was an important moment both in itself but also in that it was seen by both sides as a sign that the process was moving towards the "end game".

13. On 12 January 2017, I convened the Conference on Cyprus in Geneva with the added participation of the Ministers for Foreign Affairs of Greece, Turkey and the United Kingdom of Great Britain and Northern Ireland, as well as that of the

President of the European Commission as an observer. The convening of the negotiations on security and guarantees marked another historic first in the process, opening the international phase of the negotiations and bringing the parties one step closer to a comprehensive settlement.

14. The parameters for solving security and guarantees were set in Geneva. The statement of the Conference on Cyprus of 12 January underscored the need for mutually acceptable solutions that addressed the concerns of both communities, with the overarching principle that the security of one community could not come at the expense of the security of the other. It also established that the solutions envisaged needed to address both communities' traditional security fears, while developing a security vision for the future. Those parameters guided the work of the group of deputies of the Conference, which met one week later in Mont Pèlerin on 18 and 19 January to develop questions and instruments related to security and guarantees.

15. Despite the leap forward, the process experienced another setback shortly thereafter. The controversy between the sides over the decision by the Parliament of Cyprus to introduce an annual commemoration in public schools of the 1950 referendum on "enosis" (union) with Greece resulted in a two-month hiatus in the talks from 16 February to 11 April 2017. This meant that the sides lost crucial time in the negotiations when they had gained significant momentum. It also had a negative impact on the trust between the two leaders and their respective communities.

16. From late January until late June 2017, in preparation for the reconvening of the Conference on Cyprus, my Special Adviser engaged in intensive shuttle diplomacy, visiting Cyprus, Greece and Turkey regularly, with a view to finding mutually acceptable modalities for returning to the Conference and preparing the ground for a successful outcome of the negotiations on security and guarantees. On the basis of the parameters, my Special Adviser worked intensively with all parties to try and reframe the issue of security and guarantees in such a way that could allow the parties to move away from their seemingly irreconcilable positions and begin thinking in new terms about the questions concerned, laying the building blocks for a mutually acceptable solution.

17. To find common ground regarding the said modalities and the sequencing of negotiations at a future session of the Conference on Cyprus, I invited the leaders to New York. During a dinner that I hosted on 4 June, the two leaders agreed on the need to reconvene the Conference in June, in line with the statement of the Conference of 12 January. They recognized the vital importance of security and guarantees to the two communities and the importance of progress in this chapter for reaching an overall agreement. At the same time, they committed to continuing in parallel the bicommunal negotiations on all other outstanding issues, beginning with territory, property and governance and power-sharing. Furthermore, they reaffirmed that all issues would be negotiated interdependently and that nothing would be agreed until everything was agreed.

IV. Crans-Montana meetings

18. On the basis of the above-mentioned commitments, the Conference on Cyprus reconvened on 28 June in Crans-Montana, Switzerland, with the participation of Mr. Anastasiades and Mr. Akıncı, the Ministers for Foreign Affairs of Greece, Turkey and the United Kingdom and the Vice-President of the European Commission in his capacity as observer. With the aim of arriving at a strategic agreement on all major outstanding issues across the six chapters of the

negotiations, the Conference was organized in a "two-table" format, one involving the leaders of the two communities dedicated to core outstanding issues relating to territory, property and governance and power-sharing in particular, and the other table dedicated to security and guarantees involving Mr. Anastasiades, Mr. Akıncı, Greece, Turkey and the United Kingdom, as well as the European Union as an observer. Despite differences in their opening positions and public rhetoric, I could see from my in-depth engagement with the three guarantors in Crans-Montana that they had all come to Switzerland committed to seeking mutually acceptable solutions.

19. Despite a positive mood and constructive statements made during the opening day of the Conference, real progress quickly became hampered by the reluctance of parties at one table to make compromises unless demonstrated progress had been made at the other table, and vice versa. In an effort to resolve that dilemma, on 30 June I presented the parties with a framework for simultaneously resolving six major outstanding issues at both tables as elements of a final package that, in my view, would lead to a comprehensive settlement. The elements were related to territory, political equality, property, equivalent treatment, and security and guarantees.

20. The core outstanding issues related to governance and power-sharing remained few, relating mostly to effective participation and, more specifically, to the composition and decision-making of certain low-level federal bodies and institutions, as well as the federal executive, namely whether there would be a rotating presidency. In addition, differences remained as to whether, following a settlement agreement, Turkish nationals would be extended equivalent treatment in Cyprus to that enjoyed by Greek nationals in their capacity as citizens of the European Union.

21. Acknowledging the importance of those three core issues, together with the fundamental issue of security and guarantees, to the conclusion of a strategic agreement, I included them as elements of the final package. Further progress was achieved on all three of the issues in Crans-Montana. By the end of the Conference, the sides had reached practically full agreement on the federal executive and effective participation. With regard to equivalent treatment, although some differences remained, they were limited in scope principally to the issue of free movement of persons, which officials of the European Commission present in the negotiations qualified as limited and possible to accommodate through practical solutions.

22. Progress was also made on property, with an understanding being reached that there would be a property regime leaning largely towards current users in areas that would not be subject to territorial adjustment and a property regime that would lean towards dispossessed owners in areas that would be subject to territorial adjustment. This left little outstanding with respect to an overarching property settlement framework, even though various details remained to be agreed upon with regard to the exact criteria that would apply in each of the two regimes.

23. Regarding territory, following the presentation of the sides' respective maps in Geneva in January 2017, no further discussions had taken place. During my bilateral meetings in Crans-Montana, it appeared that an agreement on territorial adjustment was within reach. The issue could, however, be concluded only as part of a final package.

24. The complexity and importance of the chapter on security and guarantees derive from the fact that it recalls traumas experienced by the Cypriot communities in the past and sets the framework whereby the future security of Cyprus and the new state of affairs established by a settlement agreement shall be safeguarded.

Consequently, the chapter, perhaps more than others, has been the subject of different, often conflicting, narratives and has generated seemingly irreconcilable positions. Thus, I proposed that the parties identify solutions while taking into account the fact that the current system of guarantees, in particular article IV of the Treaty of Guarantee, containing the unilateral right of intervention, was "unsustainable". I also suggested that a new system of security was needed for Cyprus, as was a credible framework for monitoring the implementation of the agreement in which the current guarantors would play a role. On the question of the presence of Greek and Turkish troops in Cyprus, it was agreed that any outstanding issues regarding troops would best be addressed at the highest political level involving the Prime Ministers of the three guarantor Powers.

25. I returned to Crans-Montana on 6 July to assist the parties in arriving at a strategic understanding of the six elements that I had identified on 30 June. It was only upon my return that some of the most essential elements were considered. During confidential bilateral meetings, key positions and indications of possible openings were put forward by relevant parties, particularly on the issues related to security and guarantees. It was underscored repeatedly by several of the parties, however, that those were to be taken as part of the overall package that I had presented. During a dinner for the heads of delegation, I shared my assessment that there was a broad understanding of the parameters of the potential strategic agreement. I also presented the parties with a draft implementation monitoring framework in the form of a non-paper for their consideration.

26. Regrettably, during the dinner, while the six elements of the package were largely available, the parties were unable to finalize a package and bridge remaining differences. While the parties were moving closer on substance, they remained far apart with respect to the trust and determination necessary to seek common ground through mutual accommodation, ultimately preventing them from reaching the broad outlines of a strategic understanding across the negotiating chapters that could have paved the way for the final settlement deal. Therefore, no agreement could be reached to convene the Prime Ministers. As a result, the parties concurred with my conclusion that the Conference would likely not achieve a result and should be closed.

27. By the time the Conference closed, the sides had essentially solved the key issue of effective participation. While some differences remained on the equivalent treatment of Turkish nationals with regard to the issue of free movement of persons, they were a question of certain details rather than principles. An incipient agreement was also emerging on territorial adjustment. With regard to property, the sides had agreed in principle on two separate property regimes, while some details again remained. Finally, the participants had significantly advanced in developing a security concept, on the assumption that agreement was reached on all domestic aspects of the settlement to the satisfaction of both communities.

V. Status of the process: other features

28. Undoubtedly, the progress in the latest round of negotiations was unique in many respects, including a number of new elements and benefiting from unprecedented support from a wide variety of international actors. This placed the leaders and their negotiators in an optimal position to gather and utilize expertise on many of the issues being discussed at the table and to start preparations for the implementation of a deal well in advance. In view of a potential settlement deal, during a joint meeting on 29 January 2016, the leaders committed to engaging in preparatory technical work, alongside their substantive negotiations, in four priority

areas: drafting of the federal constitution, technical preparations for the implementation of European Union *acquis communautaire* in a future Turkish Cypriot constituent state, ongoing work with international financial institutions on the economic aspects of the settlement and planning for implementation.

29. While there was progress registered in a few of the technical priority areas, in others progress was slow or never materialized. Despite repeated encouragement from my Special Adviser, a proposed constitution-drafting working group did not begin deliberations. Not consolidating convergences reached in the negotiations into constitutional text created uncertainties and did not allow for full preparations in the other legal work streams. Similarly, work on planning for the implementation of the settlement did not go beyond a handful of meetings at the level of leaders and negotiators and initial position papers exchanged on the matter.

30. Regrettably, therefore, the potential of the agreed upon engagement and the high level of support available was not always utilized to the fullest and, on several occasions, was hampered by internally created delays and other challenges. Furthermore, the fact that the two communities were not accustomed to working together on certain issues, owing primarily to the status quo and the continuing division of the island, presented some challenges.

31. One prominent feature of the latest round of talks was the agreement between the sides to enable the European Union to play an enhanced role in the peace process in conjunction with my good offices. That role was further strengthened through the consistent support of the political leadership of the European Union for the efforts of my Special Adviser, demonstrated by the personal engagement of the President of the European Commission through several visits to the island by high-level European Commission officials and their high-level engagement during the Conference on Cyprus in Geneva and in Crans-Montana. The Personal Representative of the President of the European Commission to my good offices mission, together with a small team deployed in Cyprus in 2015, remained fully engaged in the process, enabling unprecedented structural integration of the Commission's support into the process under the auspices of the United Nations.

32. The European Commission's engagement to help to prepare for the implementation of the *acquis communautaire* of the European Union in a future Turkish Cypriot constituent state also led to several key developments. On 3 October 2015, the sides reached an agreement to set up the Bicommunal Ad Hoc Committee on European Union Preparation to facilitate that work. Furthermore, on 4 February 2016, the two negotiators carried out an unprecedented joint visit to the European Commission headquarters in Brussels to request the intensification of the European Union technical assistance provided within the framework of the Bicommunal Ad Hoc Committee. Following that visit, it was agreed that the Commission would conduct fact-finding missions to the north of the island to identify gaps and propose technical assistance, where appropriate.

33. By mid-2017, in spite of repeated interruptions to their work usually connected to dynamics in the talks, the European Commission had carried out fact-finding missions in all priority areas identified by the two negotiators: customs, immigration and border control, plant and animal health, food safety, currency, competition and taxation, free movement of goods, market surveillance and single market and European Union funds. On that basis, the Commission arrived at an initial assessment of the preparedness of the Turkish Cypriot community, which was presented to the two leaders on 10 May 2017. Shortly thereafter, the Commission also shared its in-depth assessment by circulating the reports of the fact-finding mission to both communities on 5 June 2017. In all, the Commission, under United Nations auspices, conducted no fewer than 125 working group meetings, seminars

and fact-finding missions involving hundreds of Commission experts who specialize in different areas of the European Union *acquis*.

34. Uniquely, the economic aspects of the negotiations also benefited from extensive and unprecedented support from European bodies and international financial institutions, including the International Monetary Fund and the World Bank, which implemented an accelerated programme of technical assistance to the two sides under the auspices of the United Nations. That engagement stemmed from the leaders' request to my Special Adviser to seek expert technical assistance with the aim of supporting the two communities in finding sustainable solutions to economic issues in a post-settlement Cyprus, as noted in my previous reports. The support of the European Union bodies in this area related to the financial aspects of the European Union *acquis*, as well as eurozone requirements, with the bulk of the assistance provided by experts from the European Commission and the European Central Bank. The support from the international financial institutions was truly substantial. Since the accelerated programme began in November 2015, the International Monetary Fund has spent a total of 294 mission days on the island, while the World Bank has spent a total of 430 mission days in Cyprus, with broad participation by senior staff and experts from both institutions.

35. The work of the international financial institutions included assessments and diagnostics on the financial sectors, macroeconomic and fiscal frameworks, social protection and health, and the public administration of a future united Cyprus. In addition, the institutions formulated forward-looking recommendations on revenue policies, debt management and the economic impacts of a settlement, including property settlement. In order to coordinate that wide-ranging work, my Special Adviser and his team chaired regular detailed discussions by videoconference with the relevant institutions providing support to the talks.

36. While the overall economic framework for a united federal Cyprus was largely agreed, preparations to implement the economic aspects of the settlement remained slow. Work on implementation planning, which was supposed to be a largely technical exercise, instead became politicized over time. Political forces in each community that were opposed to a settlement were able to leverage their positions in political and administrative bodies to slow implementation preparations. The lack of progress on certain aspects of implementation then became a recurring argument in the negotiating room itself.

37. Throughout the process, the sides also engaged in intense work at the level of the various working groups of experts, as well as the technical committees. In particular, working groups of experts on property, economy and European Union matters met regularly to hold focused discussions at the technical level. In addition, in 2015 and early 2016, the leaders agreed to the establishment of four legal expert groups to address the drafting of a federal constitution, the preparation of federal laws, the functioning of the federal and constituent judiciaries and the international treaty obligations of a united Cyprus.

38. The working group on federal laws met regularly. Despite the obstacles created by the lack of a corresponding draft constitution, the sides agreed on a large number of federal laws that would have to be in place at the entry into force of a settlement. Although progress was made, a substantial amount remained outstanding by the time the sides met in Crans-Montana. The legal experts in the treaties working group had commenced reviewing the compatibility of the international agreements entered into by the sides with the settlement and European and international law. However, while the sides exchanged updated lists and began providing initial comments, a full review was not initiated. The sides also had an

initial exchange of views on a number of issues in the judiciary working group, which did not, however, produce tangible results.

39. Throughout the reporting period, the bicommunal technical committees, which had been established in 2008 as part of the process to work on confidence-building measures aimed not only at improving the everyday lives of Cypriots but also at encouraging and facilitating greater interaction among them, continued to work in support of a possible settlement, especially since the leader-led negotiation process intensified in the last quarter of 2016. In addition to the technical committees established in 2008, Mr. Anastasiades and Mr. Akıncı agreed to set up ones that focused on specific issues, such as gender, education and culture. Since 15 May 2015, 15 technical committees had been working on initiatives in support of the talks and a total of 339 meetings had been held by the time the Conference on Cyprus reconvened in Crans-Montana. However, the success of the committees in formulating and implementing confidence-building measures was mixed, and their overall impact on the daily lives of the population in both communities continued to be limited. This was due to various factors, including a lack of material and organizational support, as well as limited high-level political support for their work, given that more emphasis was often placed on the ongoing "track one" negotiations between the leaders to reach a comprehensive settlement. Despite the small number of measures implemented, there were some very successful initiatives and promising beginnings, such as the much-appreciated restoration work on historical buildings and monuments of the Technical Committee on Cultural Heritage and the launch by the Technical Committee on Education of the "Imagine" project, bringing Greek Cypriot and Turkish Cypriot children together to interact and learn side by side. Those initiatives demonstrated that, with the necessary support and political will, the two communities could work together to implement confidence-building measures aimed at improving the daily life of all Cypriots across the island and creating conditions conducive to a successful settlement process.

40. Following the closure of the Conference on Cyprus on 7 July 2017, it remains unclear whether all the technical committees will continue to meet and whether the sides intend to implement already agreed confidence-building measures or pursue new ones. A few technical committees have held meetings since, noting that it has become more important than ever to carry on some of the work that would benefit both communities. I believe that it is important to continue the support of the United Nations for the work of the technical committees, particularly during this period of political uncertainty. Because of the bicommunal nature of the technical committees, they have the potential to sustain the gains achieved so far in the Cyprus peace talks and to continue to contribute to the development of further confidence-building measures and peacebuilding efforts.

41. Heeding the many calls for greater inclusion of a gender perspective in the negotiations, on 28 May 2015 Mr. Anastasiades and Mr. Akıncı agreed to establish the Committee on Gender Equality. The mandate of the Committee included a clear reference to Security Council resolution 1325 (2000). The sides proceeded quickly with the appointment of their respective members of the Committee, which comprised both men and women. The Committee held its first meeting in August 2015 and initially met quite regularly. It carried out in-depth analysis of important and relevant gender issues and provided some recommendations to the leaders and their negotiators. Regrettably, however, their recommendations were not always mainstreamed into the deliberations at the negotiation table, and the impact of the work of the Committee on relevant substantive issues being negotiated remained quite limited.

42. As soon as the talks between Mr. Anastasiades and Mr. Akıncı started on 15 May 2015, as a sign of their shared commitment the leaders agreed on a number

of confidence-building measures that would mutually benefit the two communities. While progress was made on some of those measures over the past two years, particularly on issues such as demining, the removal of visa requirements and increased access for the Committee on Missing Persons, the implementation of other confidence-building measures such as the opening of additional crossing points lagged behind or did not register any progress for months. Regrettably, the sides have yet to implement the earlier agreements on the interconnectivity of electricity grids and the interoperability of mobile telephones.

43. In the early stages of the process, the leaders had also made highly visible and important attempts to increase the frequency of their joint public appearances, such as addressing a conference organized by the two Chambers of Commerce on the economic benefits of a settlement on 8 July 2015, as well as jointly attending a concert organized by the Technical Committee on Cultural Heritage held in Famagusta on 28 July 2015. Furthermore, they made an appearance at the annual meeting of the World Economic Forum in Davos, Switzerland, in January 2016, jointly addressing the plenary of that high-level meeting, committing themselves to seeking a settlement within 2016 and promoting the economic opportunities of a future united Cyprus. On 15 May 2016, the leaders issued a statement marking the first year of their negotiations in which they affirmed their commitment to intensifying efforts in the following months with the aim of reaching a comprehensive settlement within 2016. The events were perceived as a sign of their strong joint commitment and helped to foster confidence in the process and galvanize public support for the talks. The number of such appearances and initiatives dwindled, however, over the course of the process. Moreover, as the negotiations moved forward and the issues being discussed at the table became more complex, the leaders became increasingly focused on their respective communities, forgoing more often than not opportunities for joint public communication and appearances.

44. In my previous report (S/2016/599), I encouraged the leaders to strengthen their efforts to communicate jointly through coordinated messaging. When the leaders did address the communities together, for instance during their joint New Year's message in 2015, the results were a resounding success, with the public responding overwhelmingly positively.

VI. Observations

45. It is my assessment that, thanks to the tireless and determined efforts of the leaders and their teams and the unwavering support provided by the international community, the essence of a comprehensive settlement to the Cyprus problem is practically there. The parties had come close to reaching a strategic understanding on security and guarantees, as well as on all other outstanding core elements of a comprehensive settlement. It is therefore my firm belief that a historic opportunity was missed in Crans-Montana.

46. Upon closing the Conference on Cyprus, I encouraged the sides to reflect on the way forward. Even if all the core enablers are in place, as they appeared to be in Crans-Montana in late June, I am convinced that the prospects of finally pushing this process "over the finishing line" will remain elusive without the strongest of political will, courage and determination, mutual trust and a readiness on the part of all parties to take calculated risks in the last and most difficult mile of the negotiations. I remain equally convinced that, in the framework of a renewed process, if a comprehensive settlement is to be successful in simultaneous

referendums, the parties should lose no time in engaging the public and jointly building support for a unified future.

47. I thus reiterate my call to the leaders, their respective communities and other interested parties, including the guarantor Powers, to continue such reflection to determine if and when conditions will mature again for a meaningful process in the near future. I reaffirm the readiness of the United Nations to assist the sides, should they jointly decide to engage in such a process with the necessary political will, in order to conclude the strategic agreement that was emerging in Crans-Montana. Furthermore, I encourage them to seek ways to preserve the body of work that had been built throughout the process in the form of convergences and understandings accumulated in the course of the past two years.

48. It is my firm belief that, for a process of such complexity and political sensitivity to be successful, a package approach on specific key issues, such as the one that guided the discussions during the meetings in Crans-Montana, would need to be followed. In the future, agreement should be pursued at the strategic level on key outstanding issues, which would form the basis for the comprehensive settlement and, following the conclusion of a strategic agreement, the details of which would need to be worked out at the technical level. An early agreement at the strategic level would immediately provide each side with the needed reassurance that the overall settlement would contain those elements that are of key importance for each community and thus provide impetus for completion of the remaining technical details.

49. I commend the work of the international financial institutions and relevant European Union bodies in support of the sides on economic aspects of the talks. The close cooperation among the international financial institutions under the auspices of my good offices mission yielded significant results. The institutions provided timely and helpful technical assistance and support to the leaders and negotiating teams in jointly designing an economically sustainable agreement that maximizes an expected peace dividend, reduces risks in the post-settlement period and promotes human security across the island. Should a settlement agreement be reached, the diagnostic assessments and technical advice provided by the European Commission, the European Central Bank, the International Monetary Fund and the World Bank would need to be transformed into capacity-building assistance directed at both communities, as needed, in order to prepare Cyprus for reunification.

50. In conclusion, I wish to thank my Special Adviser, Espen Barth Eide, and my Special Representative, Elizabeth Spehar, and the personnel serving in my good offices mission in Cyprus for the dedication and perseverance with which they facilitated the talks over the past two years and the commitment with which they have discharged the responsibilities entrusted to them by the Security Council.